

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF L'ANSE	County BARAGA
Fiscal Year End JUNE 30, 2007	Opinion Date OCTOBER 8, 2007	Date Audit Report Submitted to State OCTOBER 25, 2007	

We affirm that:

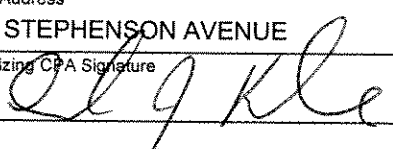
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	SCHEDULE OF FINDINGS AND RESPONSES	
Other (Describe)	<input checked="" type="checkbox"/>	REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Certified Public Accountant (Firm Name) FLEURY, SINGLER & COMPANY, P.C.		Telephone Number (906) 774-0833	
Street Address 301 STEPHENSON AVENUE		City IRON MOUNTAIN	State MI
Authorizing CPA Signature 		Zip 49801	License Number MI 1101010481
Printed Name DAVID J KNOKE			

VILLAGE OF L'ANSE, MICHIGAN

Financial Report

With Supplemental Information

June 30, 2007

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INDEPENDENT AUDITORS' REPORT

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF L'ANSE, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, on our consideration of the **VILLAGE OF L'ANSE, MICHIGAN'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, retirement system schedule of funding progress, and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF L'ANSE, MICHIGAN'S** basic financial statements. The accompanying other supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and comparative financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

October 8, 2007

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Within this section of the Village of L'Anse, Michigan's (the "Village") financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2007. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government, unless otherwise noted; the component unit reported separately from the primary government is not included. Please read this management's discussion and analysis in conjunction with the Village's financial statements.

Financial Highlights

- The Village's assets exceeded its liabilities by \$9,679,574 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded its liabilities by \$9,450,403. Net assets increased in governmental activities by \$384,619, primarily from capital grants and contributions which were invested in equipment and infrastructure. Governmental activities included net transfers of \$20,258 from the component unit and transfers of \$50,000 from the Electric Utility Fund. Net assets in business-type activities decreased by \$155,448, which included a \$50,000 transfer to the General Fund. Business-type activities also included depreciation expense of \$298,469 and state grant revenues of \$108,964.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$9,127,758 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net assets of \$70,048 are restricted by constraints imposed by state regulations.
 3. Unrestricted net assets of \$481,768 represent the portion available to maintain the Village's continuing obligations to citizens and creditors.
- The Village's governmental funds reported total ending fund balance of \$101,067 compared to the prior year ending fund balance of \$448,445, a decrease of \$347,378 during the current year primarily from investing in the Streetscape Project.
- Total assets of the Village increased by \$707,945. Total long-term debt decreased by \$182,754, with no new issuances of debt.
- The Village's Electric Utility Fund continues to maintain an investment of \$80,156 with the Upper Peninsula Public Power Agency. The purpose of the Agency is to invest in the American Transmission Company System, a Wisconsin LLC.
- In the prior year, the Village was awarded a \$690,000 grant from the State of Michigan for a Streetscape Project. The final amounts totaling \$368,674 were received in the current year. The Streetscape Project included bump-outs, trees, stamped concrete, planters, decorative lighting, and blacktopping.
- The Village incurred construction costs of \$743,217 related to infrastructure improvements for the Streetscape Project during fiscal year ended 2007.
- The Village was awarded grants totaling \$74,488 from the Department of Homeland Security for fire department rescue equipment and training. During 2007 the Village acquired a \$24,020 off-road rescue vehicle for the fire department and other fire department equipment totaling \$27,592.
- The Village acquired a \$60,845 refrigeration unit for the Ice Arena and an \$11,450 vehicle for the police department.
- The Village's Disposal System Fund was awarded a grant totaling \$108,964 from the Michigan DEQ. \$80,473 was received in the current year. The grant money was used for an engineering study to monitor waste water.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Village also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Village's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Village-wide statement of financial position presenting information that includes all of the Village's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the **Statement of Activities**, which reports how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, sanitation and recreation. Business-type activities include electric utility, water utility and a disposal system.

The Village's financial reporting entity includes the funds of the Village (primary government) and one organization for which the Village is accountable (Downtown Development Authority-component unit).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most important funds rather than the Village as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Village has two types of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. Proprietary funds include the electric utility fund, water utility fund and disposal system fund and are reported as business-type activities in the government-wide financial statements. All three funds are reported as major funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison statement is included in the basic financial statements for the general fund.

Major funds and the component unit are reported in the basic financial statements. Combining statements for nonmajor funds and comparative statements for the water utility fund and the disposal system fund are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

Net assets of the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 311,565	\$ 635,868	\$ 704,245	\$ 584,144	\$ 1,015,810	\$ 1,220,012
Noncurrent assets	6,832,061	6,080,744	7,734,039	8,060,360	14,566,100	14,141,104
Total assets	7,143,626	6,716,612	8,438,284	8,644,504	15,581,910	15,361,116
Liabilities						
Current liabilities	286,588	270,884	397,511	328,545	684,099	599,429
Long-term liabilities	1,613,200	1,586,509	3,605,037	3,724,775	5,218,237	5,311,284
Total liabilities	1,899,788	1,857,393	4,002,548	4,053,320	5,902,336	5,910,713
Net assets						
Investment in capital						
assets net of related debt	5,244,837	4,509,020	3,882,921	4,049,261	9,127,758	8,558,281
Restricted	70,048	13,447	-	7,457	70,048	20,904
Unrestricted	(71,047)	336,752	552,815	534,466	481,768	871,218
Total net assets	\$ 5,243,838	\$ 4,859,219	\$ 4,435,736	\$ 4,591,184	\$ 9,679,574	\$ 9,450,403

The Village's combined net assets increased 2 percent from a year ago. Governmental activities net assets increased by \$384,619, while business-type activities net assets decreased by \$155,448.

Unrestricted net assets for governmental activities decreased by \$407,799. Unrestricted net assets for business-type activities increased by \$18,349.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

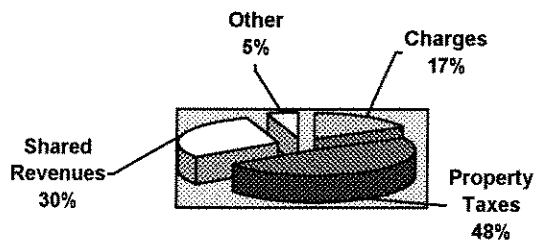
Changes in net assets during the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue						
Charges for services	\$ 240,917	\$ 241,871	\$ 2,555,695	\$ 2,216,253	\$ 2,796,612	\$ 2,458,124
Capital grants and contributions	505,382	472,702	108,964	-	614,346	472,702
General revenue						
Property taxes	677,273	654,298	-	-	677,273	654,298
State-shared revenues	421,549	411,835	-	-	421,549	411,835
Interest	15,316	10,547	17,982	18,277	33,298	28,824
Other	54,261	16,752	-	-	54,261	16,752
Total revenues	\$ 1,914,698	\$ 1,808,005	\$ 2,682,641	\$ 2,234,530	\$ 4,597,339	\$ 4,042,535
Program expenses						
General government	\$ 173,616	\$ 125,556	\$ -	\$ -	\$ 173,616	\$ 125,556
Public safety	508,971	450,286	-	-	508,971	450,286
Public works	611,885	557,460	-	-	611,885	557,460
Sanitation	197,223	208,171	-	-	197,223	208,171
Recreation	52,311	43,543	-	-	52,311	43,543
Interest on long-term debt	56,331	48,350	-	-	56,331	48,350
Proprietary activities	-	-	2,788,089	2,353,169	2,788,089	2,353,169
Total program expenses	\$ 1,600,337	\$ 1,433,366	\$ 2,788,089	\$ 2,353,169	\$ 4,388,426	\$ 3,786,535
Change in net assets before transfers and other	\$ 314,361	\$ 374,639	\$ (105,448)	\$ (118,639)	\$ 208,913	\$ 256,000
Transfers from (to) DDA - net	20,258	172,244	-	-	20,258	172,244
Transfers - other	50,000	-	(50,000)	-	-	-
Change in net assets	\$ 384,619	\$ 546,883	\$ (155,448)	\$ (118,639)	\$ 229,171	\$ 428,244

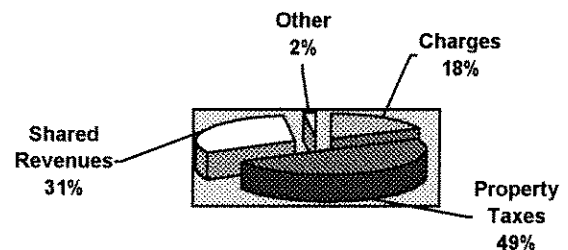
Graphic presentations of selected data follow to assist in the analysis of the Village's activities for fiscal years 2007 and 2006:

Governmental Activities

2007 Governmental Revenues



2006 Governmental Revenues



The above charts do not include grants, contributions, or transfers.

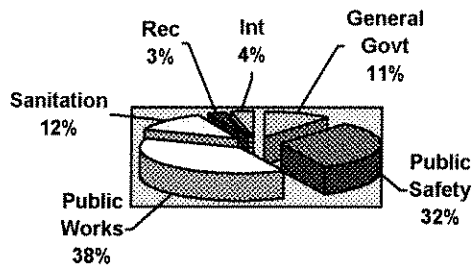
VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

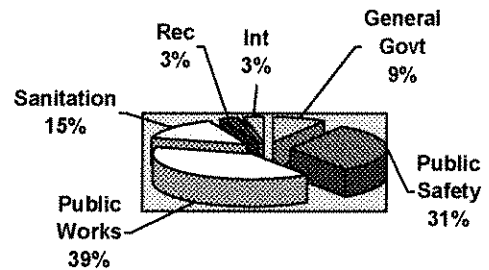
JUNE 30, 2007

Governmental Activities (continued)

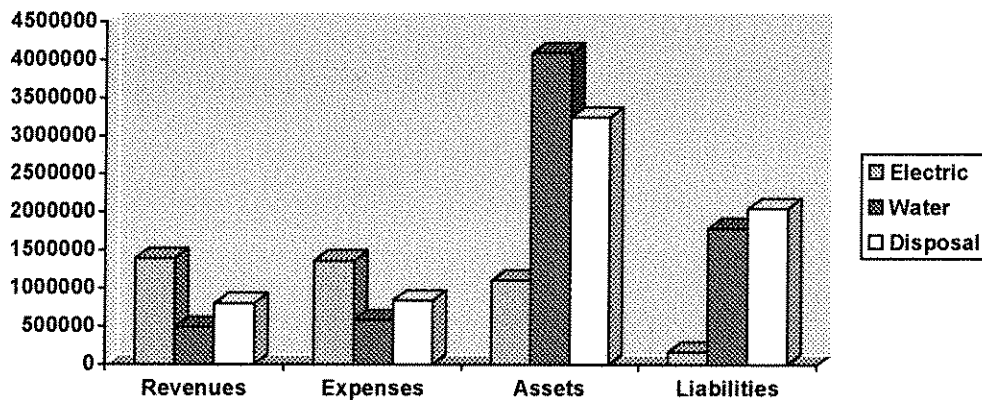
2007 Governmental Expenditures



2006 Governmental Expenditures



2007 Business-Type Activities



Financial Analysis of the Village's Funds

Governmental Funds – The Village's total governmental revenues increased by \$48,291 or 2 percent from prior year levels. Governmental expenditures increased by \$21,479 from prior year levels. Overall, governmental activities remained relatively consistent.

Proprietary Funds – The Village's business-type activities consist of electric utility, water utility and a disposal system. Operating revenues increased by \$339,442 or 15 percent from prior year. The increase relates primarily to the Village increasing rates and user fees, primarily in the Electric Utility Fund. Operating expenses increased by \$329,855 or 15 percent from prior year.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to account for events during the year. Budgetary amendments were relatively minor, with the exception of the following items. Total budgeted revenues were increased by \$507,750 due primarily to increases to federal and state grants. Total budgeted capital outlay was increased by \$732,800 due primarily to the Streetscape Project. Other financing sources were adjusted to account for transactions with other funds and with the component unit.

Capital Asset and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2007 was \$5,244,837 and \$3,882,921, respectively. Major capital asset additions during the current fiscal year included:

Streetscape Project	\$ 743,217
Fire department vehicle and equipment	51,612
Ice Arena equipment	60,845

At the end of the fiscal year, the Village had long-term debt obligations of \$5,033,092. The portion of the debt relating to governmental activities was \$1,308,276. The portion of the debt relating to business-type activities was \$3,724,816. There were no issuances of bonds or notes during the current year for governmental or business-type activities. The balances declined by normal amortization of principal payments.

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain consistent. The Village's 2008 budget is comparable to the original 2007 budget. The amended 2007 budget included significant capital outlay and transfers not included in the 2008 budget.

Health care costs make up a significant portion of the Village's expenditures. In 2007, these costs increased 2% over the prior year. Funding health care cost increases remains a challenge for the Village in 2008. Health care premiums are projected to increase in 2008.

The Village is currently applying for a Rural Development Grant for approximately \$1,000,000, Village share being \$250,000, for improvements to the water distribution system.

Utility rate increases are currently being discussed; however, no increases have been approved. These rate increases would be commensurate with increasing costs.

L'Anse Warden Electric Company, LLC is in the process of converting an existing, dormant generating station located in the Village to an active power plant. L'Anse Warden will seek tax increment financing from local taxes which will be placed in a special revenue fund to be used solely for environmental clean-up expenses. The project is expected to be completed in 2008.

Contacting the Village's Financial Management

The financial report is designed to provide a general overview of the Village's finances and demonstrate the Village's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906)-524-6116.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 254,433	\$ 342,182	\$ 596,615	\$ 66,715
Accounts receivable				
Utility billings	18,163	-	18,163	-
Other	58,745	274,427	333,172	1,835
Grants receivable	20,988	28,491	49,479	-
Taxes receivable	13,680	-	13,680	-
Due from primary government	-	-	-	108,123
Internal balances	(59,145)	59,145	-	-
Inventory	3,071	-	3,071	-
Prepaid dues	1,630	-	1,630	-
Investments	-	80,156	80,156	111,029
Restricted assets	369,182	46,146	415,328	-
Capital assets	6,462,879	7,607,737	14,070,616	-
Total assets	7,143,626	8,438,284	15,581,910	287,702
Liabilities and Net Assets				
Liabilities				
Accounts payable	64,825	163,272	228,097	-
Accrued sick and vacation wages	35,009	92,975	127,984	-
Customer deposits	-	21,485	21,485	-
Due to component unit - DDA	108,123	-	108,123	-
Accrued interest	14,373	-	14,373	-
Noncurrent liabilities				
Due within one year	64,258	119,779	184,037	-
Due in more than one year	1,244,018	3,605,037	4,849,055	-
Deferred compensation liability	369,182	-	369,182	-
Total liabilities	1,899,788	4,002,548	5,902,336	-
Net assets				
Investment in capital assets -				
net of related debt	5,244,837	3,882,921	9,127,758	-
Restricted				
Streets and roads	70,048	-	70,048	-
Unrestricted	(71,047)	552,815	481,768	287,702
Total net assets	\$ 5,243,838	\$ 4,435,736	\$ 9,679,574	\$ 287,702

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total		
\$ (109,986)	\$ -	\$ (109,986)	\$ -	
(416,303)	-	(416,303)	-	
(243,211)	-	(243,211)	-	
20,874	-	20,874	-	
(49,081)	-	(49,081)	-	
(56,331)	-	(56,331)	-	
(854,038)	-	(854,038)	-	
-	(123,430)	(123,430)	-	
(854,038)	(123,430)	(977,468)	-	
-	-	-	(800)	
677,273	-	677,273	-	
-	-	-	97,374	
677,273	-	677,273	97,374	
421,549	-	421,549	-	
15,316	17,982	33,298	5,514	
54,261	-	54,261	-	
20,258	-	20,258	(20,258)	
50,000	(50,000)	-	-	
1,238,657	(32,018)	1,206,639	82,630	
384,619	(155,448)	229,171	81,830	
4,859,219	4,591,184	9,450,403	205,872	
\$ 5,243,838	\$ 4,435,736	\$ 9,679,574	\$ 287,702	

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 189,872	\$ 64,561	\$ 254,433
Accounts receivable			
Utility billings	18,163	-	18,163
Other	45,624	13,121	58,745
Grants receivable	20,988	-	20,988
Taxes receivable	11,166	2,514	13,680
Inventory	1,231	1,840	3,071
Prepaid dues	1,630	-	1,630
Restricted assets	369,182	-	369,182
Total assets	\$ 657,856	\$ 82,036	\$ 739,892
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 54,164	\$ 10,661	\$ 64,825
Accrued sick and vacation wages	34,363	646	35,009
Due to component unit - DDA	108,123	-	108,123
Due to other funds	58,464	681	59,145
Accrued interest	2,541	-	2,541
Deferred compensation liability	369,182	-	369,182
Total liabilities	626,837	11,988	638,825
Fund balances			
Reserved for inventory	1,231	1,840	3,071
Unreserved - reported in			
General fund	29,788	-	29,788
Special revenue funds	-	68,208	68,208
Total fund balances	31,019	70,048	101,067
Total liabilities and fund balances	\$ 657,856	\$ 82,036	\$ 739,892

See accompanying notes to financial statements.

VILLAGE OF L'ANSE**GOVERNMENTAL FUNDS****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS****JUNE 30, 2007**

Fund Balances - Total Governmental Funds	\$	101,067
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets \$7,644,944, net of accumulated depreciation of (\$1,182,065) used in governmental activities are not financial resources and are not reported in the governmental funds		6,462,879
Accrued interest payable is recorded as a liability in governmental activities		(11,832)
Compensated absences are included as a liability in governmental activities		(90,234)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds		<u>(1,218,042)</u>
Net Assets - Governmental Activities	\$	<u>5,243,838</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 512,803	\$ 164,470	\$ 677,273
State-shared revenues	224,646	196,903	421,549
Garbage collection fees	218,097	-	218,097
Federal grants - Homeland Security	86,708	-	86,708
State grants - Streetscape	368,674	-	368,674
Local contribution - Keweenaw	50,000	-	50,000
Rent	134,082	-	134,082
Other	69,260	2,202	71,462
Interest	15,186	130	15,316
Total revenues	1,679,456	363,705	2,043,161
Expenditures			
Current			
General government	155,813	-	155,813
Public safety	461,602	-	461,602
Public works	348,016	257,429	605,445
Sanitation	197,223	-	197,223
Recreation	42,151	-	42,151
Capital outlay	871,853	-	871,853
Debt service	80,897	47,065	127,962
Total expenditures	2,157,555	304,494	2,462,049
Excess of revenues (under) over expenditures	(478,099)	59,211	(418,888)
Other financing sources (uses)			
Sale of fixed assets	1,252	-	1,252
Operating transfers in - Component Unit	65,192	-	65,192
Operating transfers out - Component Unit	(44,934)	-	(44,934)
Operating transfers in - Proprietary Fund	50,000	-	50,000
Operating transfers in	50,000	200,390	250,390
Operating transfers out	(47,390)	(203,000)	(250,390)
Total other financing sources (uses)	74,120	(2,610)	71,510
Net change in fund balances	(403,979)	56,601	(347,378)
Fund balances - Beginning of year	434,998	13,447	448,445
Fund balances - End of year	\$ 31,019	\$ 70,048	\$ 101,067

See accompanying notes to financial statements.

VILLAGE OF L'ANSE**GOVERNMENTAL FUNDS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (347,378)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; these
costs are allocated over their estimated useful lives as depreciation 871,853

Capital assets used in governmental activities are not considered financial
resources, such as:

Depreciation recorded on those assets (198,787)

Disposal of those assets (10,000)

Interest expense is recorded in the funds when due; it is recorded in the
statement of activities when incurred (1,120)

Increase in accumulated sick pay is recorded when earned in the statement
of activities (2,700)

Repayment of debt principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets 72,751

Change in Net Assets - Governmental Activities \$ 384,619

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets	Major Funds			Total
	Electric Utility	Water Utility	Disposal System	
Current assets				
Cash and cash equivalents	\$ 229,433	\$ 50,483	\$ 62,266	\$ 342,182
Accounts receivable - net	177,417	39,906	57,104	274,427
Grants receivable	-	-	28,491	28,491
Due from General Fund	59,145	-	-	59,145
Total current assets	465,995	90,389	147,861	704,245
Long-term assets				
Investments	80,156	-	-	80,156
Restricted assets	-	1,363	44,783	46,146
Utility plant and system (capital assets)	558,753	3,998,374	3,050,610	7,607,737
Total assets	1,104,904	4,090,126	3,243,254	8,438,284
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	105,959	9,234	48,079	163,272
Accrued expenses	35,341	44,059	13,575	92,975
Customer deposits	21,260	225	-	21,485
Current liabilities - installment contract	-	-	13,753	13,753
Current liabilities payable from restricted assets	-	35,000	71,026	106,026
Total current liabilities	162,560	88,518	146,433	397,511
Long-term debt - net of current portion	-	1,700,000	1,905,037	3,605,037
Total liabilities	162,560	1,788,518	2,051,470	4,002,548
Net assets				
Invested in utility plant and system - net of related debt	558,753	2,263,374	1,060,794	3,882,921
Unrestricted and undesignated	383,591	38,234	130,990	552,815
Total net assets	\$ 942,344	\$ 2,301,608	\$ 1,191,784	\$ 4,435,736

See accompanying notes to financial statements.

VILLAGE OF L'ANSE**PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007**

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Operating revenues				
Sales	\$ 1,365,046	\$ 485,149	\$ 686,891	\$ 2,537,086
Services	75	1,724	1,866	3,665
Other	9,135	1,947	3,862	14,944
Total operating revenues	1,374,256	488,820	692,619	2,555,695
Operating expenses				
Distribution	1,259,274	355,784	442,437	2,057,495
Administrative and general	80,541	44,634	15,323	140,498
Depreciation	23,205	94,314	180,950	298,469
Total operating expenses	1,363,020	494,732	638,710	2,496,462
Operating income (loss)	11,236	(5,912)	53,909	59,233
Nonoperating revenues (expenses)				
State grant - MI DEQ	-	-	108,964	108,964
Expenses related to special study	-	-	(108,964)	(108,964)
Interest income	14,819	1,190	1,973	17,982
Interest expense	-	(87,500)	(95,163)	(182,663)
Total nonoperating revenues (expenses)	14,819	(86,310)	(93,190)	(164,681)
Income (loss) before transfers	26,055	(92,222)	(39,281)	(105,448)
Transfers to other funds	(50,000)	-	-	(50,000)
Changes in net assets	(23,945)	(92,222)	(39,281)	(155,448)
Net assets - Beginning of year	966,289	2,393,830	1,231,065	4,591,184
Net assets - End of year	\$ 942,344	\$ 2,301,608	\$ 1,191,784	\$ 4,435,736

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,337,271	\$ 491,647	\$ 687,376	\$ 2,516,294
Other receipts	9,135	1,947	3,862	14,944
Payments to suppliers	(1,178,323)	(122,972)	(109,175)	(1,410,470)
Payments to employees for wages and benefits	(134,661)	(280,271)	(314,276)	(729,208)
Receipts from/payments to other funds	49,999	-	-	49,999
Net cash provided by operating activities	83,421	90,351	267,787	441,559
Cash flows from noncapital financing activities				
Receipts from noncapital grant	-	-	80,473	80,473
Payments to suppliers related to special study	-	-	(108,964)	(108,964)
Transfers	(50,000)	-	-	(50,000)
Net cash (used in) noncapital financing activities	(50,000)	-	(28,491)	(78,491)
Cash flows from capital and related financing activities				
Purchase of capital assets	(15,442)	-	(6,682)	(22,124)
Principal paid on debt	-	(30,000)	(80,003)	(110,003)
Interest paid on debt	-	(87,500)	(95,163)	(182,663)
Net cash (used in) capital and related financing activities	(15,442)	(117,500)	(181,848)	(314,790)
Cash flows from investing activities				
Interest	14,819	1,190	1,973	17,982
Reduction in investments	-	50,000	-	50,000
Net cash provided by investing activities	14,819	51,190	1,973	67,982
Net change in cash and cash equivalents	32,798	24,041	59,421	116,260
Cash and cash equivalents - Beginning of year	196,635	27,805	4,768	229,208
Cash and cash equivalents - End of year	\$ 229,433	\$ 51,846	\$ 64,189	\$ 345,468
Balance sheet classification of cash and cash equivalents				
Cash and cash equivalents	\$ 229,433	\$ 50,483	\$ 62,266	\$ 342,182
Restricted assets	-	1,363	1,923	3,286
Totals	\$ 229,433	\$ 51,846	\$ 64,189	\$ 345,468
Reconciliation of operating income (loss) to net cash from operating activities				
Operating Income (loss)	\$ 11,236	\$ (5,912)	\$ 53,909	\$ 59,233
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	23,205	94,314	180,950	298,469
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(28,765)	4,774	(1,381)	(25,372)
Decrease in due from General Fund	49,999	-	-	49,999
Increase (decrease) in accounts payable	37,542	(3,469)	33,498	67,571
(Decrease) increase in accrued expenses	(10,711)	644	811	(9,256)
Increase in customer deposits	915	-	-	915
Net cash provided by operating activities	\$ 83,421	\$ 90,351	\$ 267,787	\$ 441,559

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS - COMPONENT UNIT
JUNE 30, 2007

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 66,715
Accounts receivable	1,835
Due from primary government	108,123
Investments	<u>111,029</u>
Total assets	287,702
Liabilities and Net Assets	
Liabilities	<u>-</u>
Net assets - Unrestricted	<u>\$ 287,702</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES - COMPONENT UNIT
YEAR ENDED JUNE 30, 2007

	Downtown Development Authority
Expenses	\$ 800
Program revenues	<u>-</u>
	Net (expense) (800)
General revenues and transfers	
Property taxes	97,374
Interest	5,514
Transfers - General Fund	<u>(20,258)</u>
	Total general revenues and transfers <u>82,630</u>
Change in net assets	81,830
Net assets - Beginning of year	<u>205,872</u>
Net assets - End of year	<u>\$ 287,702</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of L'Anse, Michigan (the "Village") are discussed in subsequent sections of this note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Village's financial activities for the fiscal year ended June 30, 2007.

The following is a summary of the significant accounting policies used by the Village of L'Anse, Michigan.

REPORTING ENTITY

The Village was incorporated under the provision of Act 3 in 1895 (General Law Village) and operates under a Council-Manager form of government. The accompanying financial statements present the Village and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village. The Village's major operations include cemetery, police and fire protection, public works, sanitation, recreation and general administration services. In addition, the Village owns and operates three major enterprise activities: the electric utility system, water utility system and disposal system.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units over which the Village exercises significant influence. Significant influence is based primarily on operational or financial relationships. The Downtown Development Authority (the "Authority") was created to encourage and spur redevelopment of the L'Anse business district and to make L'Anse an attraction for visitors and tourists as well as a source of pride for the local community. The Authority's governing board is appointed by the Village's governing body. The Village collects tax funds on the Authority's behalf.

Excluded from the reporting entity is the L'Anse Housing Authority. The L'Anse Housing Authority's governing board selects management staff, sets charges, establishes budgets and controls all aspects of its own operations. The Village provides no funding to the Housing Authority. Additionally, the Village holds no title to Housing Authority assets, nor does it have any right to Housing Authority surpluses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government exercises accountability.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded in the year payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenues. All other revenue items are considered to be available only when cash is received by the Village.

Amounts reported as program revenue include charges to customers for goods and services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. The principal operating revenue of proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's electric, water, and sewer functions and other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Village reports the following major governmental fund:

General Fund – The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following three major proprietary funds:

Electric, Water and Disposal System Funds – These three funds are the Village's major proprietary funds. They account for the activities of the electric, water and sewer distribution systems of the Village.

Additionally, the Village reports the following funds:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions. They include the Major Street, Local Street and Municipal Street Funds.

Debt Service Fund – The debt service fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from operations of an enterprise fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Village. These include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade receivables are shown as net of allowance for uncollectible amounts (\$15,000 in 2007).

Inventory – Inventory consists of salt and gravel for roads and is valued at cost, on a first-in, first-out basis. Fund balances have been reserved in an amount equal to the cost of the inventory.

Restricted Assets – The Village offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The plan assets, included in restricted assets of the General Fund, are maintained in a custodial account held by Capital Guardian Trust Company, and are not available to the employees until termination, retirement, death, disability, or an unforeseeable emergency. All rights to the plan assets are that of the employees and any losses incurred on plan assets in the custodial account are borne solely by the plan participants and their beneficiaries. The corresponding deferred compensation liability is included in noncurrent liabilities.

Certain resources related to proprietary fund revenue bonds set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "contract payment account" is used to segregate resources accumulated for debt service payments. Other accounts are set aside for other special uses. Restricted assets in the proprietary funds include cash and cash equivalents and certificates of deposit with maturities greater than three months.

Capital Assets – The Village's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. Proprietary assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Buildings, equipment, vehicles and infrastructure assets are depreciated over the following useful lives:

Water and sewer distribution systems	10-65 years
Buildings and building improvements	65 years
Vehicles	5-10 years
Machinery and equipment	8-20 years
Infrastructure assets	20-75 years

Compensated Absences (Vacation and Sick Leave) – It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management – The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Village followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. On May 22, 2006, an operating budget was submitted to the Village Finance Committee for the fiscal year ending June 30, 2007. The operating budget includes proposed expenditures and the means of financing them.
2. On June 26, 2006, a public hearing was conducted to obtain taxpayer comments.
3. The budget was legally adopted on June 26, 2006.
4. The Village Council authorizes all budgetary revisions throughout the fiscal year. The budget was revised and approved for revision on June 25, 2007.
5. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.

NOTE C - DEPOSITS AND INVESTMENTS

State statutes authorize the Village to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Village Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2007, the carrying value of the Village's deposits and investments were reported as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit
Cash and cash equivalents	\$ 254,433	\$ 342,182	\$ 596,615	\$ 66,715
Investments	-	80,156	80,156	111,029
Restricted assets-bank deposits	-	46,146	46,146	-
Totals	\$ 254,433	\$ 468,484	\$ 722,917	\$ 177,744

The breakdown between deposits and investments for the Village is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 642,461	\$ 177,744
Investments - UPPPA - ATC	80,156	-
Cash on hand	300	-
Totals	\$ 722,917	\$ 177,744

The bank and credit union balances totaled \$643,336 of which \$362,950 was covered by the F.D.I.C. or N.C.U.A. The remainder was uninsured and uncollateralized.

The Village's investments are categorized to indicate the level of risk assumed by the Village at June 30, 2007. Risk Category 1 includes those investments that are insured, registered, or held by the Village or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Village's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Village's name.

The Village's investment in UPPPA – ATC is non-risk categorized.

NOTE D - PROPERTY TAXES

Property taxes were levied and leased by the Village on July 1, 2006 on the taxable valuation of property as of the preceding January 1. The Village billed and collected these taxes from July, 2006 to September, 2006. At that time, any unpaid billings were transferred to Baraga County, which is in charge of collecting delinquent taxes and remitting receipts to the Village. If a billing is still uncollected three years subsequent to the original billing, the property is subject to tax sale. It is the Village's policy to recognize revenue from the current tax levy.

The 2006 state equalized valuation of the Village totaled \$46,958,790 (taxable value \$41,235,076), on which taxes levied consisted of 13.2010 Mills for operating purposes, 1.8990 Mills for the DDA, and 1.1400 Mills for bond debt retirement.

The entire property tax administration fee is paid to the Village treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Governmental activities				
Land*	\$ 271,456	\$ -	\$ (10,000)	\$ 261,456
Infrastructure	3,226,489	1,265,173	-	4,491,662
Infrastructure in progress	521,956	-	(521,956)	-
Buildings	1,336,177	-	-	1,336,177
Machinery and equipment	406,306	92,435	-	498,741
Vehicles	998,741	35,470	-	1,034,211
Furniture and equipment	21,966	731	-	22,697
Subtotal	6,783,091	1,393,809	(531,956)	7,644,944
Less accumulated depreciation	983,278	198,787	-	1,182,065
Net capital assets	\$ 5,799,813	\$ 1,195,022	\$ (531,956)	\$ 6,462,879
Business-type activities				
Land*	\$ 110,235	\$ -	\$ -	\$ 110,235
Buildings	11,835,210	6,682	-	11,841,892
Machinery and equipment	1,086,633	15,442	-	1,102,075
Vehicles	332,230	-	-	332,230
Furniture and equipment	77,702	-	-	77,702
Subtotal	13,442,010	22,124	-	13,464,134
Less accumulated depreciation	5,557,928	298,469	-	5,856,397
Net capital assets	\$ 7,884,082	\$ (276,345)	\$ -	\$ 7,607,737

*Non-depreciable

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 20,461
Department of public works	117,276
Public safety	50,890
Recreation	10,160
Total	\$ 198,787

NOTE F - LONG-TERM DEBT

Bond issue - Village offices: General long-term debt bonds were issued to finance renovation and construction for an addition to the village fire hall and village offices. The bonds are payable annually at principal amounts ranging from \$10,000 to \$45,000, with the final payment due October 1, 2026. Interest is payable semi-annually at varying rates ranging from 5.00% to 6.05%. The bonds are secured by a pledge of the full faith and credit of the Village and future tax revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - LONG-TERM DEBT (CONTINUED)

Bond issue - Local Development: General long-term debt bonds were issued to finance a portion of the cost of a "Streetscape Project". The bonds are payable annually at principal amounts ranging from \$20,000 to \$40,000, with the final payment due October 1, 2020. Interest is payable semi-annually at varying rates ranging from 4.15% to 5.00%. The bonds are secured by tax increment revenues.

Loan payable - USDA - This loan was incurred to provide financing of specific equipment. The loan is payable in annual principal amounts ranging from \$13,000 to \$26,000 with the final payment due October 1, 2016. Interest is payable semi-annually at 4.75%. The loan is secured by the full faith and credit of the Village.

Installment contract payable - Contracts are incurred to provide financing on specific equipment.

The disposal system revenue bonds (1) were issued to partially provide for the acquisition and construction of a disposal plant and connecting sewer system. This project was undertaken in conjunction with the Township of L'Anse and the bonds presented in this report represent 83.56% of the entire bond issue (Village portion). The bonds are payable from the revenues (pledged) generated by the disposal system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5.00% per annum and the final payment is due in the year 2019.

The disposal system revenue bonds (2) were issued to provide for improvements to the disposal plant. This project was undertaken in conjunction with the Township of L'Anse in the same manner as described above. The bonds are payable from revenues generated by the Disposal System Fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds are payable in increasing increments and bear an interest rate of 4.50% per annum and the final payment is due in the year 2042.

The Water Utility revenue bonds were issued to provide for the acquisition and construction of a water and waste disposal system. The bonds are payable from the revenues generated by the water supply system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5.00% per annum and the final payment is due in the year 2033.

A disposal system installment note was issued in 2005 to provide for improvements to the disposal plant. This bank note is payable in monthly installments of \$1,374, including interest at 4.15%, with the final payment due in the year 2012.

Changes in long-term debt during the fiscal year ended June 30, 2007 are summarized as follows:

	Balance 7/1/2006	Additions	Retired	Balance 6/30/2007	Due Within One Year
Governmental activities					
General obligation					
Bond issue-village offices	\$ 555,000	\$ -	\$ (15,000)	\$ 540,000	\$ 15,000
Bond issue-streetscape	450,000	-	(30,000)	420,000	20,000
Loan payable-USDA	230,000	-	(16,000)	214,000	17,000
Installment contract payable	55,793	-	(11,751)	44,042	12,258
Total bonds and notes	1,290,793	-	(72,751)	1,218,042	64,258
Other liabilities-sick pay	87,534	2,700	-	90,234	-
Total governmental activities	\$ 1,378,327	\$ 2,700	\$ (72,751)	\$ 1,308,276	\$ 64,258
Business-type activities					
Revenue bonds					
Disposal System (1)	\$ 580,742	\$ -	\$ (50,136)	\$ 530,606	\$ 54,314
Disposal System (2)	1,403,808	-	(16,712)	1,387,096	16,712
Water Utility	1,765,000	-	(30,000)	1,735,000	35,000
Installment note	85,269	-	(13,155)	72,114	13,753
Total business-type activities	\$ 3,834,819	\$ -	\$ (110,003)	\$ 3,724,816	\$ 119,779

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - LONG-TERM DEBT (CONTINUED)

Debt requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 64,258	\$ 61,169	\$ 125,427	\$ 119,779	\$ 177,557	\$ 297,336
2009	70,789	58,113	128,902	121,196	171,759	292,955
2010	72,343	54,872	127,215	127,266	165,897	293,163
2011	70,652	51,499	122,151	129,106	159,615	288,721
2012	66,000	48,338	114,338	127,881	153,381	281,262
2013-2017	379,000	190,220	569,220	609,721	676,542	1,286,263
2018-2022	300,000	100,405	400,405	449,559	543,649	993,208
2023-2027	195,000	37,783	232,783	574,653	422,153	996,806
2028-2032	-	-	-	718,941	265,858	984,799
2033-2037	-	-	-	394,926	120,945	515,871
2038-2042	-	-	-	351,788	49,184	400,972
Totals	\$ 1,218,042	\$ 602,399	\$ 1,820,441	\$ 3,724,816	\$ 2,906,540	\$ 6,631,356

NOTE G - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds or component unit and are composed of the following:

Due from	Due to			
	General Fund	Business-type Funds	Component Unit	Total
General Fund	\$ -	\$ 59,145	\$ 108,123	\$ 167,268
Nonmajor Funds	\$ 681	\$ -	\$ -	\$ 681

Individual fund operating transfers for fiscal year 2007 were as follows:

Transfers In	Transfers Out				
	General Fund	Nonmajor Funds	Business-type Funds	Component Unit	Total
General Fund	\$ -	\$ 50,000	\$ 50,000	\$ 65,192	\$ 165,192
Nonmajor funds	-	153,000	-	-	153,000
Component Unit	44,934	-	-	-	44,934
Debt Service Fund	47,390	-	-	-	47,390
Totals	\$ 92,324	\$ 203,000	\$ 50,000	\$ 65,192	\$ 410,516

The above \$50,000 transfer from the Business-Type Funds (Electric Utility Fund) to the General Fund was made to create a positive fund balance in the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION

The Village maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended June 30, 2007 is presented as follows:

Condensed Statement of Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Current assets	\$ 465,995	\$ 90,389	\$ 147,861	\$ 704,245
Restricted assets	-	1,363	44,783	46,146
Other assets	80,156	-	-	80,156
Capital assets	558,753	3,998,374	3,050,610	7,607,737
Total assets	1,104,904	4,090,126	3,243,254	8,438,284
Current liabilities	162,560	53,518	75,407	291,485
Liabilities payable from restricted assets	-	35,000	71,026	106,026
Noncurrent liabilities	-	1,700,000	1,905,037	3,605,037
Total liabilities	162,560	1,788,518	2,051,470	4,002,548
Invested in capital assets net of related debt	558,753	2,263,374	1,060,794	3,882,921
Unrestricted	383,591	38,234	130,990	552,815
Total net assets	\$ 942,344	\$ 2,301,608	\$ 1,191,784	\$ 4,435,736

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Total operating revenues	\$ 1,374,256	\$ 488,820	\$ 692,619	\$ 2,555,695
Depreciation expense	(23,205)	(94,314)	(180,950)	(298,469)
Other operating expenses	(1,339,815)	(400,418)	(457,760)	(2,197,993)
Operating income (loss)	11,236	(5,912)	53,909	59,233
Nonoperating revenues (expenses)	14,819	(86,310)	(93,190)	(164,681)
Transfers	(50,000)	-	-	(50,000)
Changes in net assets	(23,945)	(92,222)	(39,281)	(155,448)
Net assets - Beginning	966,289	2,393,830	1,231,065	4,591,184
Net assets - Ending	\$ 942,344	\$ 2,301,608	\$ 1,191,784	\$ 4,435,736

Condensed Statement of Cash Flows

Net cash provided by (used in)				
Operating activities	\$ 83,421	\$ 90,351	\$ 267,787	\$ 441,559
Noncapital financing activities	(50,000)	-	(28,491)	(78,491)
Capital and related financing activities	(15,442)	(117,500)	(181,848)	(314,790)
Investing activities	14,819	51,190	1,973	67,982
Net change in cash and cash equivalents	32,798	24,041	59,421	116,260
Cash and cash equivalents - Beginning	196,635	27,805	4,768	229,208
Cash and cash equivalents - Ending	\$ 229,433	\$ 51,846	\$ 64,189	\$ 345,468

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - DEFINED BENEFIT PENSION PLAN

Plan Description – The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by the Gabriel Roeder Smith & Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assign the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Plan, that authority rests with the Village. The Gabriel Roeder Smith & Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Gabriel Roeder Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076-3723 or by calling (248) 799-9000.

Funding Policy – The Village is required to contribute at an actuarially determined rate; the current rate is 18.45% of annual covered payroll. The contribution requirements of the Village are established and may be amended by the MERS Board of Trustees.

Actuarial valuations are performed annually. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Memberships of the plan are as follows:

Active members	19
Retirees and beneficiaries currently receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>30</u>

Annual Pension Cost – For the year ended June 30, 2007, the Village's annual pension cost of \$136,836 for the Plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses) (b) projected salary increases of 4.50% per year, and an additional projected salary increase ranging from 0.00% to 8.40% per year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 29 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributed	Percent of APC Obligation	Net Pension
June 30, 2005	\$ 119,088	\$ 119,088	100	\$ -
June 30, 2006	126,168	126,168	100	-
June 30, 2007	136,836	136,836	100	-

NOTE J - ECONOMIC DEPENDENCY

The Village receives a significant amount of its revenues from two corporate entities located within the Village. Approximately 30% of property tax revenues are received from these entities.

VILLAGE OF L'ANSE
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Property taxes				
Real and personal property taxes	\$ 496,600	\$ 502,500	\$ 502,309	\$ (191)
Payment in lieu of taxes	6,500	3,900	3,927	27
Penalties and interest	5,500	6,600	6,567	(33)
Total property taxes	508,600	513,000	512,803	(197)
State - shared revenues	232,500	225,500	224,646	(854)
Other revenues				
Garbage collection fees	220,000	220,000	218,097	(1,903)
Federal grants - Homeland Security	-	87,000	86,708	(292)
State grants - Streetscape	-	370,000	368,674	(1,326)
Local contribution - Keweenaw	50,000	50,000	50,000	-
Rent	120,000	134,000	134,082	82
Interest	8,000	15,000	15,186	186
Other	36,500	68,850	69,260	410
Total revenues	1,175,600	1,683,350	1,679,456	(3,894)
Expenditures				
General government				
Village council	18,200	20,650	20,225	425
Attorney	8,000	4,500	4,483	17
Village clerk	1,200	600	533	67
Treasurer	9,300	8,550	8,375	175
Elections	2,000	600	512	88
Buildings and grounds	7,500	6,300	5,831	469
Cemetery	14,000	17,200	16,974	226
General government	49,500	99,650	98,880	770
Total general government	109,700	158,050	155,813	2,237
Public safety				
Police department	307,400	348,350	347,434	916
Fire department	42,000	114,700	114,108	592
Building inspection	4,700	100	60	40
Total public safety	354,100	463,150	461,602	1,548
Public works				
Department of public works	287,500	345,600	344,673	927
Sidewalks	5,000	3,450	3,343	107
Total public works	292,500	349,050	348,016	1,034

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (continued)				
Sanitation				
Sanitary landfill	120,000	113,000	112,784	216
Waste collection and disposal	79,000	85,000	84,439	561
Total sanitation	199,000	198,000	197,223	777
Recreation				
Parks and recreation	12,000	9,900	9,767	133
Ice arena	29,500	30,350	30,101	249
Marina	2,000	2,450	2,283	167
Total recreation	43,500	42,700	42,151	549
Capital outlay				
General government	1,000	8,750	2,342	6,408
Public safety	15,000	13,000	13,000	-
Public works	30,000	744,150	744,054	96
Fire department	100,000	52,000	51,612	388
Recreation	-	60,900	60,845	55
Total capital outlay	146,000	878,800	871,853	6,947
Debt service				
General government	48,000	41,000	40,655	345
Fire department	10,000	8,800	8,713	87
Public works	-	32,000	31,529	471
Total debt service	58,000	81,800	80,897	903
Total expenditures	1,202,800	2,171,550	2,157,555	13,995
Excess of revenues (under) expenditures	(27,200)	(488,200)	(478,099)	10,101
Other financing sources (uses)				
Sale of fixed assets	-	2,000	1,252	(748)
Operating transfers in - Component Unit	-	65,000	65,192	192
Operating transfers in	-	100,000	100,000	-
Operating transfers out - Component Unit	-	(45,000)	(44,934)	66
Operating transfers out	-	(47,500)	(47,390)	110
Total other financing sources (uses)	-	74,500	74,120	(380)
Net change in fund balance	(27,200)	(413,700)	(403,979)	9,721
Fund balance - Beginning of year	434,998	434,998	434,998	-
Fund balance - End of year	<u>\$ 407,798</u>	<u>\$ 21,298</u>	<u>\$ 31,019</u>	<u>\$ 9,721</u>

VILLAGE OF L'ANSE**REQUIRED SUPPLEMENTAL INFORMATION****RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS****MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM****YEAR ENDED JUNE 30, 2007**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2001	\$ 1,765,245	\$ 2,710,740	\$ 945,495	65%	\$ 739,738	128%
12/31/2002	1,916,659	2,947,851	1,031,192	65%	768,361	134%
12/31/2003	2,163,852	3,227,396	1,063,544	67%	763,084	139%
12/31/2004	2,367,333	3,515,284	1,147,951	67%	774,306	148%
12/31/2005	2,542,122	3,917,042	1,374,920	65%	693,233	198%
12/31/2006	2,699,855	4,183,150	1,483,295	65%	741,645	200%

**RETIREMENT SYSTEMS SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percent Contributed
2002	\$ 97,729	\$ 97,729	100
2003	104,690	104,690	100
2004	109,200	109,200	100
2005	119,088	119,088	100
2006	126,168	126,168	100
2007	136,836	136,836	100

The information presented above was determined as part of the actuarial valuations at the date indicated. Additional information as of June 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	29 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.50%
*includes inflation at	4.50%
Additional salary increases attributable to seniority/merit	0% to 8.40%

VILLAGE OF L'ANSE
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 28,210	\$ 13,020	\$ 23,331	\$ -	\$ 64,561
Accounts receivable	8,701	4,420	-	-	13,121
Taxes receivable	-	-	2,514	-	2,514
Inventory	-	1,840	-	-	1,840
Total assets	\$ 36,911	\$ 19,280	\$ 25,845	\$ -	\$ 82,036
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,141	\$ 8,520	\$ -	\$ -	\$ 10,661
Accrued expenses	295	351	-	-	646
Due to other funds	-	-	681	-	681
Total liabilities	2,436	8,871	681	-	11,988
Fund balances - Undesignated	34,475	10,409	25,164	-	70,048
Total liabilities and fund balances	\$ 36,911	\$ 19,280	\$ 25,845	\$ -	\$ 82,036

VILLAGE OF L'ANSE**OTHER SUPPLEMENTAL INFORMATION****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 164,470	\$ -	\$ 164,470
State-shared revenues	122,020	67,441	7,442	-	196,903
Other	356	317	1,529	-	2,202
Interest	21	33	76	-	130
Total revenues	122,397	67,791	173,517	-	363,705
Expenditures					
Routine maintenance	63,708	76,318	-	-	140,026
Traffic services	1,082	1,719	-	-	2,801
Winter maintenance	39,858	43,260	-	-	83,118
Administrative, engineering and record keeping	15,700	15,459	-	325	31,484
Debt service	-	-	-	47,065	47,065
Total expenditures	120,348	136,756	-	47,390	304,494
Excess of revenues over (under) expenditures	2,049	(68,965)	173,517	(47,390)	59,211
Other financing sources (uses)					
Operating transfers in	80,000	73,000	-	47,390	200,390
Operating transfers out	(50,000)	-	(153,000)	-	(203,000)
Total other financing sources (uses)	30,000	73,000	(153,000)	47,390	(2,610)
Net change in fund balances	32,049	4,035	20,517	-	56,601
Fund balances - Beginning of year	2,426	6,374	4,647	-	13,447
Fund balances - End of year	\$ 34,475	\$ 10,409	\$ 25,164	\$ -	\$ 70,048

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

Assets	2007	2006
Current assets		
Cash and cash equivalents	\$ 50,483	\$ 26,460
Accounts receivable - net	39,906	44,680
Total current assets	90,389	71,140
Long-term assets		
Restricted assets	1,363	51,345
Utility plant and system (capital assets)	3,998,374	4,092,687
Total assets	4,090,126	4,215,172
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	9,234	12,702
Accrued expenses	44,059	43,415
Customer deposits	225	225
Current liabilities payable from restricted assets	35,000	30,000
Total current liabilities	88,518	86,342
Long-term debt - net of current portion	1,700,000	1,735,000
Total liabilities	1,788,518	1,821,342
Net assets		
Invested in utility plant and system - net of related debt	2,263,374	2,327,687
Restricted	-	21,345
Unrestricted and undesignated	38,234	44,798
Total net assets	\$ 2,301,608	\$ 2,393,830

VILLAGE OF L'ANSE**WATER UTILITY FUND****COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating revenues		
Sales	\$ 485,149	\$ 519,453
Services	1,724	2,694
Other	1,947	-
Total operating revenues	488,820	522,147
Operating expenses		
Distribution	355,784	393,260
Administrative and general	44,634	37,901
Depreciation	94,314	95,518
Total operating expenses	494,732	526,679
Operating (loss)	(5,912)	(4,532)
Nonoperating revenues (expenses)		
Interest income	1,190	3,432
Interest expense	(87,500)	(89,000)
Total nonoperating revenues (expenses)	(86,310)	(85,568)
Changes in net assets	(92,222)	(90,100)
Net assets - Beginning of year	2,393,830	2,483,930
Net assets - End of year	\$ 2,301,608	\$ 2,393,830

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities		
Receipts from customers	\$ 491,647	\$ 511,240
Other receipts	1,947	-
Payments to suppliers	(122,972)	(132,580)
Payments to employees for wages and benefits	(280,271)	(303,102)
Net cash provided by operating activities	90,351	75,558
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(2,387)
Principal paid on debt	(30,000)	(30,000)
Interest paid on debt	(87,500)	(89,000)
Net cash (used in) capital and related financing activities	(117,500)	(121,387)
Cash flows from investing activities		
Interest	1,190	3,432
Reduction in investments	50,000	50,000
Net cash provided by investing activities	51,190	53,432
Net change in cash and cash equivalents	24,041	7,603
Cash and cash equivalents - Beginning of year	27,805	20,202
Cash and cash equivalents - End of year	\$ 51,846	\$ 27,805
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 50,483	\$ 26,460
Restricted assets	1,363	1,345
Total	\$ 51,846	\$ 27,805
Reconciliation of operating (loss) to net cash from operating activities		
Operating (loss)	\$ (5,912)	\$ (4,532)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	94,314	95,518
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	4,774	(10,907)
(Decrease) in accounts payable	(3,469)	(8,824)
Increase in accrued expenses	644	4,303
Net cash provided by operating activities	\$ 90,351	\$ 75,558

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 62,266	\$ 2,850
Accounts receivable - net	57,104	55,723
Grants receivable	28,491	-
	<u>147,861</u>	<u>58,573</u>
Total current assets		
Long-term assets		
Restricted assets	44,783	44,779
Utility plant and system (capital assets)	3,050,610	3,224,877
	<u>3,243,254</u>	<u>3,328,229</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	48,079	14,581
Accrued expenses	13,575	12,764
Current liabilities - installment contract	13,753	13,196
Current liabilities payable from restricted assets	71,026	66,848
	<u>146,433</u>	<u>107,389</u>
Total current liabilities		
Long-term debt - net of current portion	1,905,037	1,989,775
	<u>2,051,470</u>	<u>2,097,164</u>
Total liabilities		
Net assets		
Invested in utility plant and system - net of related debt	1,060,794	1,155,058
Unrestricted and undesignated	130,990	76,007
	<u>\$ 1,191,784</u>	<u>\$ 1,231,065</u>
Total net assets		

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Sales	\$ 686,891	\$ 620,240
Services	1,866	2,777
Other	3,862	-
Total operating revenues	692,619	623,017
Operating expenses		
Distribution	442,437	442,114
Administrative and general	15,323	11,423
Depreciation	180,950	180,837
Total operating expenses	638,710	634,374
Operating income (loss)	53,909	(11,357)
Nonoperating revenues (expenses)		
State grant - MI DEQ	108,964	-
Expenses related to special study	(108,964)	-
Interest income	1,973	1,546
Interest expense	(95,163)	(97,562)
Total nonoperating revenues (expenses)	(93,190)	(96,016)
(Loss) before transfers	(39,281)	(107,373)
Transfers from other funds	-	43,000
Changes in net assets	(39,281)	(64,373)
Net assets - Beginning of year	1,231,065	1,295,438
Net assets - End of year	\$ 1,191,784	\$ 1,231,065

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities		
Receipts from customers	\$ 687,376	\$ 617,317
Other receipts	3,862	-
Payments to suppliers	(109,175)	(162,367)
Payments to employees for wages and benefits	(314,276)	(287,232)
Net cash provided by operating activities	267,787	167,718
Cash flows from noncapital financing activities		
Receipts from noncapital grant	80,473	-
Payments to suppliers related to special study	(108,964)	-
Transfers	-	118,000
Net cash (used in) provided by noncapital financing activities	(28,491)	118,000
Cash flows from capital and related financing activities		
Purchase of capital assets	(6,682)	(202,381)
Principal paid on debt	(80,003)	(78,684)
Interest paid on debt	(95,163)	(97,562)
Net cash (used in) capital and related financing activities	(181,848)	(378,627)
Cash flows from investing activities		
Interest	1,973	1,546
Net cash provided by investing activities	1,973	1,546
Net change in cash and cash equivalents	59,421	(91,363)
Cash and cash equivalents - Beginning of year	4,768	96,131
Cash and cash equivalents - End of year	\$ 64,189	\$ 4,768
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 62,266	\$ 2,850
Restricted assets	1,923	1,918
Total	\$ 64,189	\$ 4,768
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 53,909	\$ (11,357)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	180,950	180,837
Changes in assets and liabilities		
(Increase) in accounts receivable	(1,381)	(5,700)
Increase (decrease) in accounts payable	33,498	(198)
Increase in accrued expenses	811	4,136
Net cash provided by operating activities	\$ 267,787	\$ 167,718

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of L'Anse, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying "Schedule of Findings and Responses" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses.

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

October 8, 2007

SCHEDULE OF FINDINGS AND RESPONSES

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

During our audit, we identified two deficiencies in internal control over financial reporting that we consider to be significant deficiencies which are required to be communicated under STATEMENT ON AUDITING STANDARDS NO. 112. In addition, we noted certain matters involving internal control and other operational matters that are presented for your consideration. Our comments are summarized as follows:

Lack of expertise in financial accounting and reporting

The Village has requested that we prepare their financial statements and related notes to the financial statements. We identified that the Village does not have an employee or other individual with suitable skill to prepare the financial statements or to review the disclosure checklist in conjunction with the financial statements prepared by the auditors to ensure propriety and completeness of the financial statements and footnotes. SAS No. 112 requires (in effect) that any organization under audit needs to have enough expertise in their control environment to properly prepare the financial statements (including notes to the financial statements). Although the organization is "technically" deficient under SAS No. 112, we believe that this issue in itself denotes no negative implications concerning the organization.

Transitional issues

During the year ending June 30, 2007, the long-time Village manager retired. The current administrative personnel are in the process of updating and implementing adequate internal controls that will ensure timely and accurate financial information and compliance with state and other regulatory requirements. Our audit was performed during a time when the current administration has not yet implemented the necessary procedures to have available adequate records for the June 30, 2007 audit. Much of the accounting records required adjustments to accurately reflect the financial activity for the year ending June 30, 2007. We believe these issues were transitional in nature and are confident that once the new administration has the opportunity to implement policies, procedures, etc. the regular accounting information will reflect accurate financial reporting. From our experience from this year's audit, we offer the following as recommendations for internal controls to ensure future accountability for the Village.

1. The Village utilizes a QuickBooks computer program. The program offers easy access to transaction input. Due to the nature of the program, it is necessary for the accounting staff to maintain manual reclassifications of entries on a monthly basis to ensure that the general ledger accounts are accurately reported. This reconciliation process is important in the areas of cash, accounts receivable, revenues, expenditures, and payroll. We recommend that the accounting personnel prepare monthly reconciliations and postings and retain these reconciliations to agree and conform to the general ledger classifications.
2. The QuickBooks program offers only limited access controls. Although these access controls are limited, we recommend that the Village implement a policy whereby the Village manager, accountant, and/or other assistants have specified access to postings of transactions or other recording responsibilities. It may be appropriate for the Village Council to assist in maintaining a second copy of passwords, etc. to ensure continuity in the event of unforeseen circumstances.

3. Unusual or significant non-recurring entries should be approved by the Village manager and this approval should be documented. The accounting manager should have limited authority in posting unusual or non-recurring entries.
4. We recommend that a bank reconciliation system be implemented whereby the individual reconciling the bank accounts has no access to cash receipts. This same individual should not have check signing authority. The Village has a small number of employees involved in the accounting process which makes it difficult to maintain a complete separation of duties. We believe, however, that a reconciliation system could involve reconciliations by the accounting manager with a monitoring system by the Village manager.
5. Certain balance sheet/income statement accounts e.g. meter deposits, real estate taxes, accounts receivable, accounts payable, vacation accruals, etc. require monthly monitoring and reconciliation. We recommend that a monthly/quarterly checklist be maintained to ensure current monitoring of these accounts.
6. The State of Michigan requires an annual budget be prepared by the Village and that the budget be used as a management tool. The annual budget was properly prepared in 2007; however, we believe that the budget was not utilized as an expenditure control device during the entire fiscal year. We recommend that the Village manager monitor the budget at each activity level to ensure compliance and to amend the budget as needed throughout the fiscal year.
7. The Village Board reviews and approves a listing of invoices which need to be paid each month; however, they do not review the actual invoices. The checks are prepared after the approval and the Village office staff stamp the checks with the Board members' signatures. We recommend that this system be changed. We generally do not recommend the use of a signature stamp. If one is used, it should be controlled in a secure manner. We recommend that two signatures be required and one of those signatures be that of a Village Council member. The dual signature requirement creates a strong deterrent for misappropriation of funds.

Our comments regarding other operational matters are summarized as follows:

Cash balances

As mentioned in our previous letter, the Village has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. We recommend that the Village consider using several financial institutions in order to minimize risk. Alternatively, the Village may wish to discuss with the present financial institutions the possibility of having its deposits collateralized.

Unrestricted net assets

Unrestricted net assets in the Village's governmental activities are a negative \$71,047. This is primarily due to a \$90,234 accrual of compensated absences included in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets. Total and individual unreserved fund balances in the governmental funds indicate a positive balance, therefore the negative balance in unrestricted net assets requires no action or response by the Village.

L'Anse Township

As mentioned in our previous letter, it does not appear that L'Anse Township has remitted the full amount of property taxes for the Downtown Development Authority for the past several years. It is unclear whether these remittances were not made or possibly commingled with County funds (in which case additional amounts would be due the DDA from the Village). We recommend that the Village contact appropriate Township and County personnel to resolve this issue.

Property Taxes

As mentioned in our previous letter, the Village has not remitted the full amount of DDA allocable property taxes to the DDA. We recommend that the Village remit the taxes allocable to the DDA on a timely basis.

Grant activity

The Village should implement a system of recording expenditures related to specific grant activity. Whenever the Village receives funds that are restrictive in nature, a subsidiary record should be created and maintained in a grant file to create an adequate audit trail.

Record maintenance

The Village utilizes several checking accounts for expenditures. Certain expenditures are related to general activity and certain expenditures are not. The Village should implement a regular system of maintaining "backup" for their expenditures. In certain instances, it was difficult to obtain proper support for expenditures, specifically when activity did not occur in the common checking account. A system should also be implemented for retaining revenue related information, e.g. state-shared revenues, tax collections, grants, etc.

Bond Requirements

The Village currently has two Disposal Fund bond issues and one Water Utility Fund bond issue. These bonds contain various requirements, one of which is that periodically certain amounts of cash are to be segregated for the purpose of future bond payments. We understand that the Village has not segregated cash for these purposes in all cases. However, it was noted that the Village paid all its debt requirements on a timely basis for the entire fiscal year. We recommend the Village review their bond debt requirements to ensure compliance in all areas, especially cash segregation.

Downtown Development Authority – various issues

We noted several problems with the accounting for and the operation of the DDA. The following is a list of issues encountered with DDA activity:

1. We found no evidence of a budget prepared for the DDA as required by the State of Michigan.
2. DDA expenditure activity is being recorded as expenditures rather than as transfers to the Village in several instances. Whenever the DDA is (in effect) paying Village expenditures, this activity is properly accounted for as a transfer rather than as an expenditure of the DDA.
3. It appears that a reimbursement for administrative expenditures was approved by the DDA; however, this transfer has not been recorded by the Village or the DDA.
4. We found no evidence of the DDA bank account being reconciled. We recommend that the bank account be reconciled by Village accounting personnel and monitored by the Village manager.

5. The DDA has a commitment to reimburse the Village for principal and interest payments related to the Streetscape Project bond issue. It appears that the DDA did not reimburse the Village for the second payment of interest in 2007. We recommend that this reimbursement be made in fiscal 2008.
6. The DDA has significant amounts of cash that may be available for Village activities. We recommend that the DDA and Village implement a long-term strategy for the use of these funds and as stated above, budget these plans on an annual basis.
7. The DDA and the Village need to ensure that their accounting records agree where they have common activity.

The above letter includes more discussion of internal control matters than in the past. Much of the above is due to the implementation of SAS No. 112, which requires additional internal control matters be communicated in writing. Secondly, with the retirement of the Village manager, there are transitional issues that needed to be addressed. Fleury, Singler & Company received excellent cooperation from the new Village manager and accounting personnel. We are very confident that once these early implementation issues are resolved, the new accounting system will be effective and properly record the activity of the Village in a controlled environment.

This letter does not affect our report dated October 8, 2007 on the financial statements of the Village of L'Anse, Michigan. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience and would be happy to assist the Village in implementing the above recommendations. Attached to this schedule is a response to the above enumerated items by the Village Council.

This communication is intended solely for the information and use of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
October 8, 2007



Village of L'Anse
101 N. Main Street
L'Anse, MI 49946
Phone 906-524-6116
Fax 906-524-6146

October 8, 2007

Village of L'Anse Explanations to Schedule of Findings and Responses

Lack of expertise in financial accounting and reporting

We do not have staff with the proper training to prepare financial statements and footnotes. We are working to achieve the necessary level of training with existing staff as well as pursuing agreements with 3rd party accountants for assistance.

Transitional issues

The previous Village Manager was personally responsible for the majority of the accounting process. We are in the process of developing and implementing procedures that will ensure timely and accurate reporting of village finances using our existing staff.

1. We have been working with a 3rd party accounting firm to develop proper monthly procedures to ensure the accuracy of the reporting of our general ledger accounts.
2. Policies are being developed to ensure all aspects of our accounting application are subject to proper scrutiny.
3. The Village Manager's security within QuickBooks will be changed to "Read Only" so that reports can be created but entries cannot be made. Necessary non-recurring transactions will be performed by the person responsible for accounting and reviewed by the Village Manager.
4. The duties of bank reconciliation and cash receipts are being separated; the village manager will review all reconciliations done by the accounting manager.
5. Policies and procedures are being developed to prepare timely accurate monthly accounting reports to be used to ensure proper financial operations of the village.
6. The village recognizes the need to prepare monthly statements so that performance relative to budget can be reviewed.
7. The village is in the process of implementing procedures to require the signature of the Village President and Village Manager on all checks.

Other Operational Issues

Cash balances – The Village will take the necessary steps to ensure that all deposits are secure. We will evaluate the possibility of spreading our investments among more depositors or pursue collateralizing our deposits.

L'Anse Township – The captured taxes due the DDA from the Township are remitted to the County and the County remits them to the Village. It appears that all taxes due the DDA from the township are current.

Property Taxes – Procedures are being established to ensure that the funds due the DDA are transferred to their account on a timely basis.

Grant Activity – We plan to set up a separate account for each grant to make sure the financial activity is posted and can be tracked and reported properly.

October 8, 2007

Record maintenance – All expenditures will require proper documentation prior to approval for payment. A system is being developed to properly track all expected revenue.

Bond requirements – Accounts have been set up to transfer monthly principle and interest payments for bonds. This will facility the proper segregation of fund.

Downtown Development Authority – Various Issues

1. A budget is being prepared by the DDA and it will be submitted to the Village Council for approval.
2. In the future the Village will pay the bills on behalf of the DDA and bill them for reimbursement.
3. The DDA will be invoiced for the agreed on administrative fee.
4. The accounting manager will begin reconciling the DDA bank account.
5. Funds that are due to the DDA and due from the DDA will be carefully monitored to ensure timely accurate accounting.
6. We will be working closely with the DDA to develop a strategy for the use of their funds that will provide maximum benefit to the Village while staying within the intent of their charter.
7. With the Village paying bills on behalf of the DDA and billing them for the expense we should be able to ensure that our accounting records agree.

Sincerely,

 10/08/07

Michael Hubert
Village Manager

 10/08/07

Cheryl Dingeldey
Village President